

Montezuma Well Services, Inc. "MWS"
Recapture Brine Disposal Facility
Sec. 14, T. 40S, R. 22E, San Juan County, Utah

Landowner: School & Institutional Trust Lands Administration "SITLA" (SULA No. 656)

Division/Board History

Division Order: 05/07/2008

Board Orders: Docket No. 2009-015, Cause No. WD-04-2009

12/08/2009	Original Order/Order of Continuance to 7/28/10
08/27/2010	Order of Continuance to 8/2011 & 2010 Stipulation (8/25/10)
09/29/2011	Order of Continuance to 8/2012 & 2011 Stipulation (9/16/11)
10/24/2012	Order of Continuance to 8/2013
08/20/2013	Hearing moved from 8/28/13 to 10/23/13 *Div. Request
10/22/2013	Order to File Written Report (Division & MWS)
12/04/2013	Verbal Order of Continuance to 8/2014
10/02/2014	Order of Continuance to 8/2015; Div. Written Report to the Board due on or before 8/10/15
08/07/2015	Div. Written Report to the Board filed.
08/26/2015	Board Hearing; verbal order of continuance.
08/24/2016	Board Hearing; outcome pending.

**MWS/Division Compliance with Board Order's & 2011 Stipulation - 4(a), 4(b), 4(c) & 4(d)
(8/26/15-8/24/16) *Some historical data included for reference & monitoring purposes.**

4(a) Montezuma will continue to accelerate the work on the Land Farm by:

- (i) Providing dedicated equipment and employees to work at the Land Farm and will till the material in the Land Farm at least weekly.** MWS has dedicated equipment (GM pump, front end loader, tractor & disk, and a 400 bbl fresh water tank & sprinkling system), staff (supervisor, 1 part-time employee, & main office oversight), and other resources "fresh water & organic material (manure & straw hay)" to Cleanup/Land Farm operations. However, the economic slowdown in the oil & gas industry (caused by declining/volatile oil prices), and nearby competing companies, has negatively impacted MWS' finances, which in turn has affected their ability to work the material in the LF cells in an accelerated manner; see (ii). ***See Div. inspection/correspondence comments.**
- (ii) Coordinating with the Division to establish methods, procedures and practices that maximize the efficiency and effectiveness of the Land Farm toward cleaning the material to meet Division standards and allow for additional material to be placed in the Land Farm.** MWS staff is working closely with Division staff; however, their ability to maximize the efficiency & effectiveness of the Land Farm operations is limited by reduced funding (see (i)). The material in Cell's 2-8 is being turned on a quarterly basis.

Organic material is being added to the oily material in Cell's 9-17, windrowed, & turned quarterly to facilitate microbial activity & aid in the bioremediation process. Cells 11 & 17 are a priority for the upcoming months; these cells contain higher concentrations of oil & require larger amounts of added organic material to facilitate microbial activity. Periodic soils testing are being conducted to monitor soils remediation progress until it meets DOGMs' Cleanup Levels; bi-annually to annually due to lack of funding; see chart, Stip. 4(c). **See Div. inspection/correspondence comments.*

4(b) Montezuma will continue to be permitted to accept shipments of E&P waste water from oil field operations into Pit B in an amount up to 50% of the depth of the pit (4' deep), provided Montezuma meets the following conditions:

- (i) **Montezuma will continue to pay into an existing Cash/Business Savings Account (Wells Fargo Bank, No. 0361028509, eff. 1/12/99) established with the Division, a sum of not less than \$0.25 per barrel of E&P waste water received into Pit B to be held as part of the required bond for reclamation of the Facility with payment due within 10 days of the end of each month.** August 2015 - July 2016; MWS added an additional \$9,080.20 (34,978 bbls x .25 = \$8,744.50 + \$335.70 extra = \$9,080.20) to their existing facility bond issued by Wells Fargo Bank; the total bond amount is now \$117,671.37. In addition, Pit B is fully bonded by Great American Ins. Co. (Bond No. MS1504258, \$46,019.00, eff. 8/4/09). The total facility bond amount is now \$163,690.37 (\$117,671.37 + \$46,019 = \$163,690.37); see chart, Stip. 4(c). (Pit B reconstructed/relined 9/30/09-10/17/09). **See Div. inspection/correspondence comments.*
- (ii) **Montezuma will continue to accelerate the removal of the material from Pit A & Oil Burning Pit's "OBP" to the Land Farm and will fill the Land Farm to its' maximum capacity, as determined by the Division.** Pit A was emptied in March 2014; MWS is planning to reclaim it when funds are available. The OBP was emptied & reclaimed in 2013 (E1/2 2012 & W1/2 2013). Land Farm Cells 2-17 are full (10" lifts); Cell 1 soils remediated 2014. **See Div. inspection correspondence comments.*

Cells 1-6 were filled to capacity with oily material removed from Pit A by end of Aug. 2010. (The Cleanup Plan & Treatment Area was approved by the Division on 6/8/05; SITLA concurrence). On 1/10/14, Cell 1 cleanup levels were met. On 2/3/15, the Division granted approval to add a 2nd lift of oily material from Pit A into Cell 1 if needed (not needed).

Cells 7-8 (LF Expansion #1) were filled to capacity with oily material removed from Pit A by end of March 2011. (Approved by the Division on 9/29/10; SITLA concurrence).

Cells 9-10 & Cell 11/west end (LF Expansion #2) were filled to capacity with oily material removed from the OBP by end of June 2012. (Approved by the Division on 5/25/11 "Cells 9-13", amended 6/28/11 "Cells 9-11"; SITLA concurrence). The Division & SITLA requested that the OBP, located adjacent to Cells 9-11, also be reclaimed. Initially Cell 9 was the only cell designated to remediate OBP material, however more material than anticipated was encountered so Cell 10/west end & Cell 11 were also designated for OBP material. Following the removal of the oily material from the OBP, soil testing was conducted in the OBP bottom (east & west halves); see chart, Stip. 4(c). The Division's cleanup levels were met on the east half and permission was granted to backfill it with

clean soil; the work was completed in 7/2012. In February 2013, the Division determined that the cleanup levels were met on the west half of OBP and permission was granted to backfill it with clean soil; the work was completed in 2/2013. (Waste oil emergency pit approved by the Division on 10/6/88 - Condition #4 "Burning of the pit should only be conducted as approved by the appropriate agencies in accordance with state and local laws & ordinances"). 3/18/14 Division approval to modify/enlarge Cell 11 (E/end, for Pit A material) was granted; SITLA concurrence. The E/end of Cell 11 is the former location of the OBP.

Cells 12-17 (LF Expansion #3) (Cells 12-31 Approved by the Division on 2/7/13; 11/22/13 the cells were modified/enlarged & renumbered Cell's 12-18; SITLA concurrence). MWS began moving material from Pit A to Cell 12 on 10/16/13; Cell 12 full by 11/20/13; Cell 13 & 14 full by 12/20/13; Cell 16 full by 1/30/14; Cell 15 full by 2/28/14. (3/18/14 Division granted approval to modify/combine Cell's 17 & 18; SITLA concurrence). Cell 17 was full by 1/30/15. Material from Pit A to Cell 11 (E/end) began in Dec. 2014 & was full by 2/18/15.

Pit/Cell No.	Dimensions (LF Acres)	Pit/Cell Capacity (cy)	Comments
Pit A	250'x230'x6'	+12,777	2/1/15 pit floor cleaned up & tank removed; 4/15/15 sidewalls cleaned up; 8/4/16 MWS planning to reclaim it when funds available.
Cells 1-6	961'x181'x10" (3.98)	5,367	
Cells 7-8/Irreg.	475'x118'x10" (1.26)	1,730	
Cells 12-17	300'x990'x10" (6.81)	9,163	
Cell 11 (E/end)	100'x440'x10" (1.01)	1,358	
		Total (17,618)	
Oil Burn Pit *E ½ Reclaimed 7/2012 *W ½ Reclaimed 2/2013	280'x27'x8-9' (0.17)	+2,349	
Cell 9/Irreg.	195'x170'x+10" (0.68)	1,283	
Cells 10	100'x175'x10" (0.40)	(Cell 10 & 11/W) 1,066	
Cell 11 (W/end)	100'x170'x10" (0.39)	+530	
		Total (+2,879)	
	Total LF Acres (14.7)		

- (iii) **The right to continue to accept E&P waste water for disposal into Pit B will be dependent upon the continuing operation of the Land Farm as required by part 4(a) of this 2011 Stipulation.** MWS is "partially" complying with part 4(a) of the 2011 Stipulation, and operated Pit B (up to 50% full) from September 2015 – July 2016; see chart, Stip. 4(c) & Stip. 4(a)(i) & (ii). Sprinkler system to enhance evaporation is being used as weather permits, and leak detection monitoring sump is being inspected weekly to ensure liner integrity. ***See Div. inspection/correspondence comments.**

- (iv) Upon construction of the Facility “secondary containment”, Montezuma may continue to accept E&P waste water into Pit B up to the approved capacity of the pit (82,058 barrels/-2’ FB) subject to the continued compliance with the other provisions of this 2011 Stipulation. Facility secondary containment “SC” has not been constructed. (SMA Eng. Plan/Maps approved by the Division on 3/8/10). On 3/8/15, the Division granted approval to use the remediated soils from Cell 1 to construct the SC; SITLA concurrence. MWS plans to construct SC with a 3:1 mix (3 parts topsoil, 1 part remediated soil). MWS was planning to construct it in the spring of 2017; however that is now on hold due to lack of funding. Containment berms around the land farm cells are being monitored & maintained. **See Div. inspection/correspondence comments.*

- 4(c) Montezuma will continue to provide monthly reports no later than the tenth day of each month outlining the amount of material removed from Pit A & Oil Burning Pit’s to the Land Farm, Land Farm tilling dates, Land Farm soils testing dates and provide copies of testing results, volume of E&P waste water received into Pit B and provide a deposit slip of the amount paid into the existing Wells Fargo Bank, Cash/Business Savings Account No. 0361028509, and any other information as required by the Division to evaluate the success of the clean-up operation and compliance with this 2011 Stipulation. **See Div. inspection/correspondence comments.*

Monthly reporting; oily material from Pit A to Land Farm (Cells 1-8, Cell 11 (E/end), & Cells 12-17), and from the OBP to Land Farm (Cells 9-10, & Cell 11 (W/end). Pit/cell capacity listed under 4(b)(ii).

Year - Month(s)	Cubic Yards	Destination	Cell Status
2010 - July-Aug.	1,350	Cells 1-6	Full (+/- 5347 total cy)
2010 - Sept.-Oct.	371	Cell 7 *LF Exp. #1 (9/29/10)	Full (+/- 861.5 total cy)
2010 - Nov.	188	Cell 8 *LF Exp. #1 (9/29/10)	<Half Full
2010/2011 - Dec-Jan.	?	Cell 8 *LF Exp. #1 (9/29/10)	Half Full
2011 - Feb-March	?	Cell 8 *LF Exp. #1 (9/29/10)	Full (+/- 861.5 total cy)
2011 - April	0		
2011 - May	0	LF Exp. #2 (5/25/11)	Cells 9-13 Empty
2011 - June	0	LF Exp. #2 (Amended 6/28/11)	Cells 9-11 Empty
2011 - July	1,019	Cell 9 *OBP	Full (+/-1019 total cy)
2011 - Aug.	696	Cell 10 *OBP	2/3 Full
2011 - Sept.	211	Cell 9 (89 Cy) Cell 10 (75 cy) Cell 11 (47 cy) *OBP	(Full/+10” deep) +2/3 Full % Full?
2011 - Oct.	0		
2011 - Nov.	0		
2011 - Dec.	136	Cell 9 (86 cy) *OBP Cell 10 (50 cy) *OBP	(Full/+10” deep) +2/3 Full
2012 - Jan.	0		
2012 - Feb.	0		OBP E ½ (soils testing)
2012 - March	0		
2012 - April	0		
2012 - May	161	Cell 9 (89 cy) *OBP Cell 10 (72 cy) *OBP	(Full/+10” deep) +2/3 Full
2012 - June	126	Cell 10 (51 cy) *OBP Cell 11 (75 cy) *OBP	Full (+/- 530 total cy) <Full (+/- 530 total cy) OBP W ½ (soils testing)
2012 - July	0		OBP E ½ (reclaimed)

2012 - Aug.	0		
2012- Sept.	0		
2012 - Oct.	0		
2012 - Nov.	0		
2012 - Dec.	0		
2013 - Jan.	0		
2013 - Feb.	0		LF Exp. #3 (Cells 12-31) OBP W ½ (reclaimed)
2013 – March	0		
2013 – April	0		
2013 – May	0		
2013 – June	0		
2013 – July	0		
2013 - Aug.	0		
2013 - Sept.	0		LF Exp #3 Amended (Cells 12-18); no material from Pit A moved to cells yet.
2013 – Oct.	1464	Cell 12	Began LF3 10/16/13
2013 – Nov.	2280	Cell 12 & 13	Cell 12 Full 11/20/13
2013 – Dec.	2524	Cell 13 & 14	Cell 13 & 14 Full 12/20/13
2014 – Jan.	2632	Cell 16	Cell 16 Full 1/30/14
2014 – Feb.	2296	Cell 15	Cell 15 Full 2/28/14
2014 – March	772	Cell 17	LF Exp #2 Amended (Cell 11 enlarged) LF Exp #3 Amended (Cells 17 & 18 combined) Cell 1 cleanup standards met (will use soils to construct facility “sec. cont.”.
2014 – April	380	Cell 17	
2014 – May	616	Cell 17	
2014 – June	360	Cell 17	
2014 – July	228	Cell 17	Cell 17 50% full. Cell 11 (E/end) empty.
2014 – Aug.	0		
2014 – Sept.	0		
2014 – Oct.	0		
2014 – Nov.	524	Cell 17	
2014 – Dec.	1464	Cell 17 & 11 (E1/2)	Cell 17 Full 1/16/15
2015 - Jan.	2380	Cell 11 (E1/2)	
2015 – Feb.	404	Cell 11 (E1/2)	Pit A floor empty; still sidewall oily waste.
2015 – March	52	Cell 11 (E1/2)	Pit A sidewall oily waste; 90% gone.
2015 – April	100	Cell 11 (E1/2)	Pit A sidewall oily waste all gone. Cell 11 Full 2/18/15
2015 – May	0		
2015 – June	0		
2015 – July	0		
2015 – Aug.	0		
2015 – Sept.	0		
2015 – Oct.	0		
2015 – Nov.	0		
2015 – Dec.	0		
2016 – Jan.	0		
2016 – Feb.	0		

2016 – March	0		
2016 – April	0		
2016 – May	0		
2016 – June	0		
2016 – July	0		
Total(s)	22,734		

Land Farm tilling/turning; Cells 2-8 are being turned on a quarterly basis; Cells 9-17 are windrowed & turned quarterly; Cells 11 & 17 a priority in the upcoming months.

Land Farm soils testing; Periodic soils testing are being conducted (**New testing; MWS & Envirotech Analytical Laboratory**). MWS is planning to sample/test soils in the cells annually (from bi-annually); including Cell 10 & Cells 11-17 in the summer of 2017.

Sample ID	Collection Date(s)	Hydrocarbon Content TPH (ppm)	Salinity EC (mmho/cm)	Salinity ESP (%)	Salinity SAR	DOGM Release Date
	Utah Cleanup Levels	1% or 10,000	<4	15	12	
Cell 1 (Lift 1)	04/06/11	16,000	2.0	5.6	10.5	3/18/14
	07/12/11	20,000	2.6	11.0	9.4	
	02/21/12	12,000	3.0	16.0	14.0	
	06/14/12	12,000	3.4	6.9	9.6	
	12/10/12	10,800			0.857	
	06/28/13	16,100			0.597	
	01/10/14	10,000	3.0		0.615	
Cell 1 (Lift 2)	Aprv 2/2015 (Not needed)					
Cell 2	04/06/11	56,000	2.1	20.9	18.5	
	07/12/11	40,000	3.9	19.0	17.0	
	06/14/12	35,000	3.0	9.3	12.0	
	12/10/12	39,700			2.2	
	06/28/13	40,100			2.3	
	01/10/14	37,800	5.2		2.4	
	06/27/14	28,000	6.5		1.8	
	01/20/15	20,700	3.65		1.81	
	07/09/15	25,700	1.48		1.30	
	01/12/16	21,300	4.12		1.23	
	07/05/16	15,700	2.78		0.571	
Cell 3	04/06/11	100,000	5.1	14.5	24.2	
	06/14/12	72,000	4.0	9.9	19.0	
	12/10/12	87,400			1.8	
	06/28/13	76,300			1.9	
	01/10/14	75,000	4.4		2.0	
	06/27/14	48,800	10.1		1.7	
	01/20/15	45,600	3.91		1.67	
	07/09/15	39,000	1.48		1.55	
	01/12/16	40,000	8.00		1.99	
	07/05/16	24,600	6.52		1.14	

Cell 4	04/06/11	43,000	6.9	9.7	23.9	
	07/12/11	68,000	5.9	21.0	19.0	
	02/21/12	39,000	4.7	21.0	19.0	
	06/14/12	51,000	3.4	7.2	17.0	
	12/10/12	49,800			2.6	
	06/28/13	52,700			2.3	
	01/10/14	77,100	6.5		2.4	
	2 nd Run	54,700				
	06/27/14	33,500	7.0		1.8	
	01/20/15	24,400	3.54		1.8	
	07/09/15	30,100	2.25		2.11	
	01/12/16	16,000	5.7		2.04	
	07/05/16	21,400	4.33		0.926	
Cell 5	04/06/11	54,000	6.7	16.2	35.2	
	06/14/12	74,000	3.4	11.5	25.0	
	12/10/12	80,700			3.2	
	06/28/13	100,000			3.7	
	01/10/14	64,000	5.6		3.4	
	06/27/14	36,300	9.1		3.0	
	01/20/15	43,000	3.46		4.1	
	07/09/15	33,500	1.04		2.78	
	01/12/16	25,900	5.51		2.24	
	07/05/16	26,400	5.67		1.78	
Cell 6	04/06/11	26,000	4.9	29.2	38.3	
	06/14/12	51,000	4.8	20.5	36	
	12/10/12	53,100			6.6	
	06/28/13	52,100			7.0	
	01/10/14	8400	10.8		6.0	
	2 nd Run	45,200				
	3 rd Run	62,700				
	06/27/14	23,900	17.2		4.8	
	01/20/15	24,200	3.34		5.12	
	07/09/15	26,800	4.62		4.26	
	01/12/16	15,300	9.48		4.52	
	07/05/16	15,200	6.26		2.08	
Cell 7	06/14/12	57,000	8.0	19.5	45.0	
	12/10/12	60,500			8.2	
	06/28/13	71,100			8.6	
	01/10/14	61,900	18.8		9.1	
	06/27/14	33,100	23.9		5.6	
	01/20/15	34,300	6.14		5.8	
	07/09/15	36,900	8.31		6.57	
	01/12/16	17,900	15.8		5.80	
	07/05/16	30,400	13.4		4.50	
Cell 8	06/14/12	74,000	8.0	30.5	43.0	
	12/10/12	101,000			7.6	
	06/28/13	114,000			11.8	
	01/10/14	78,400	17.8		8.6	
	06/27/14	47,100	26.9		8.3	
	01/20/15	42,400	12.5		8.1	
	07/09/15	40,900	7.34		6.58	
	01/12/16	39,700	17.4		5.11	

	07/05/16	34,200	12.8		4.30	
Cell 9	12/10/12	132,000			4.8	
	06/28/13	110,000			4.9	
	01/10/14	131,000	5.0		2.7	
	2 nd Run	152,000				
	06/27/14	76,400	9.3		4.1	
	01/20/15	60,500	1.9		3.0	
	07/09/15	45,000	1.13		2.64	
	01/12/16	39,800	4.69		2.36	
	07/05/16	45,600	3.65		1.39	
Cell 10	12/10/12	67,200			4.5	
	06/28/13	55,500			3.6	
	01/10/14	90,200	3.6		3.2	
	2 nd Run	84,800				
	06/27/14	47,900	5.4		3.1	
	01/20/15	44,800	3.0		3.2	
	07/09/15	34,700	1.19		3.13	
	No Sampling 2016					
Cell 11	No Sampling					
OBP East 1/2	02/21/12	4,700	5.2	28.0	27.0	7/2012
OBP West 1/2	06/14/12	53,000	2.4	9.9	NA	2/2013
	10/11/12	39,100			12.4	
Cell 12	No Sampling					
Cell 13	No Sampling					
Cell 14	No Sampling					
Cell 15	No Sampling					
Cell 16	No Sampling					
Cell 17	No Sampling					

Volume of E&P waste water received into Pit B; & the amount deposited into their original facility bond (\$20,836.83) issued by Wells Fargo Bank, Cash/Business Savings Account No. 0361028509, eff. 1/12/99.

Year-Mo.	Barrels	Deposit (bbls x .25)
Orig. Facility Bond (Wells Fargo Bank #0361028509)		\$20,836.83
2010-10 thru 2011-07	50,121	\$12,530.25
2011-08 thru 2012-07	65,233	\$16,308.25

2012-08 thru 2013-09	131,647	\$32,911.75
2013-10 thru 2014-07	67,440	\$16,882.50
2014-08 thru 2015-07	35,663	\$8,915.75
2015-08	0	0
2015-09	380	\$95.00
2015-10 (\$335.70 Extra)	3,357	\$1,174.95
2015-11	4,804	\$1,201.00
2015-12	5,388	\$1,347.00
2016-01	4,149	\$1,037.25
2016-02	2,521	\$630.25
2016-03	5,020	\$1,255.00
2016-04	2,525	\$631.25
2016-05	1,350	\$337.50
2016-06	3,187	\$796.75
2016-07	2,297	\$574.25
Added (8/2015-7/31/16)	34,978	\$9,080.20
Interest (10/2010-7/31/16)		\$205.84
Current Facility Bond (Wells Fargo Bank #0361028509)		\$117,671.37
Pit B Full Bond (Great American Ins. Co. #MS1504258)		\$46,019.00
Total Bbls/Bonding	385,082	\$163,690.37

- 4(d) **The Division will continue increased oversight and inspections of the Facility and will continue to work with Montezuma to provide technical assistance as needed.** Division staff has conducted 11 site inspections, since the Order of Continuance was issued by the Board on 8/26/15, and is working closely with MWS & SITLA staff to ensure that cleanup/closure of Pit A, land farm/soils remediation, and other facility operations are being conducted in compliance with Board Orders & 2011 Stipulation, and in accordance with permits issued by the Division & SITLA.

Division Inspection's/Correspondence

- 09/01/15 (BK) Participants; Bart Kettle/DOGM, Melvin Capitan/MWS, Jim Davis, Sonja Wallace & Chris Fausett/SITLA. Priorities for clean-up are working LF Cells 11-17. Plan developed to use a combination of the front end loader, backhoe & organic materials to incorporate free standing fluids into a stabilized solid that facilitates microbial activity. LF Cells 2-6 have been worked & organic material added. LF Cells 8-10 have been "flipped" with organic materials being added before cells are worked. Turning of LF Cells 12-14 & 16 will be an area of emphasis for the remainder of 2015. Fluid levels in Pit B will continue to be lowered until compromised portions of the liner can be repaired. Fluid levels are currently in compliance with Board Order.
- 11/17/15 (BK) Priorities for clean-up are working LF Cells 11-17. These LF cells contain higher concentrations of oil & have been difficult to work. Plan is being implemented using a combination of the front end loader, backhoe & organic materials to incorporate free standing fluids into a stabilized solid that facilitates microbial activity. Continued focus on Cells 11-17 will be required until oil materials start decomposition process. LF Cells 2-9 have been flipped & organic material added. LF Cells 9-10 & 12-15 have been placed into windrows. LF Cell 16 is being placed into windrows at inspection. Quarterly turning of LF cells in windrows will be an area of emphasis for 2016. Fluid levels in Pit B have been lowered & multiple patches placed over portions of liner where integrity was in question. Continuous monitoring of LD sump is required until it can be demonstrated liner integrity has been restored. Approval to accept fluids into Pit B has been granted provided fluid levels remain in compliance with Board Order.

- 12/22/15 (BK) Priorities for clean-up are working LF Cells 11 & 17. These LF cells contain higher concentrations of oil & have been difficult to work. Plan is being implemented using a combination of the front end loader, backhoe & organic materials to incorporate free standing fluids into a stabilized solid that facilitates microbial activity. Continued focus on Cells 11 & 17 will be required until oily materials start decomposition process. LF Cells 2-9 have been flipped organic material added. LF Cells 9-10 & 12-16 have been placed into windrows. Quarterly turning of LF cells in windrows will be an area of emphasis for 2016. Fluid levels in Pit B have been lowered & multiple patches placed over portions of liner where integrity was in question. Continuous monitoring of LD sump is required until it can be demonstrated liner integrity has been restored. Approval to accept fluids into Pit B has been granted provided fluid levels remain in compliance with Board Order.
- 01/05/16 (BK) Colder winter temperature & increased precipitation has created difficulties in working Cells 11 & 17. These two cells are the priority for first portion of 2016. Cell 11 contains a fair amount of storm water in the eastern portions. LF Cells 2-9 have been flipped organic material added. LF Cells 9-10 & 12-16 have been placed into windrows. Quarterly turning of LF cells in windrows will be conducted in 2016. LF Cells 2-9 had samples collected for composition analysis. Fluid levels in Pit B are at the 50% mark, fluid acceptance remains contingent on fluid levels remaining below 50%. Continuous monitoring of LD sump is required until it can be demonstrated liner integrity has been restored. Approval to accept fluids into Pit B has been granted provided fluid levels remain in compliance with Board Order.
- 02/04/16 (BK) Solo inspection conducted due to a misunderstanding in scheduling with company personnel. Pit B is accepting fluids. Fluid levels are nearing 50%, fluids surface is being maintained hydrocarbon free. LF Cell 17 has portion of materials placed in a windrow at the time of inspection. Hay bales are being placed to mix in organic materials. Cell 11 has not been worked since materials were removed from Pit A.
- 03/01/16 (BK) Priorities for clean-up first two quarters of 2016 are working LF Cells 11 & 17. These LF cells contain higher concentrations of oil & have been difficult to work. Plan is being implemented using a combination of the front end loader, backhoe & organic materials to incorporate free standing fluids into a stabilized solid that facilitates microbial activity. Continued focus on Cells 11 & 17 will be required until oil materials are incorporated into a mixture with organics & native soils. LF Cells 2-9 have been flipped organic material added. LF Cells 9-10 & 12-16 have been placed into windrows. Quarterly turning of LF cells in windrows will be an area of emphasis for 2016. Fluid levels in Pit B have been lowered with enhanced evaporation system. Continuous monitoring of LD sump is required until it can be demonstrated liner integrity has been restored. Approval to accept fluids into Pit B has been granted provided fluid levels remain in compliance with Board Order.
- 04/05/16 (BK) Priorities for cleanup in the month of April 2016 is working LF Cells 11 & 17. These LF cells contain higher concentrations of oil & need to be worked to aide in the bioremediation process. Front end loader will be used to windrow materials & add organic materials until free standing fluids are incorporated into a stabilized solid that facilitates microbial activity. Continued focus on Cells 11 & 17 will be required through the warmer months of the summer until oily materials are incorporated into a mixture with organics & native soils. LF cells 2-9 have been flipped & organic material added in 2016. LF Cells 9-10, & 12-16 have been placed into windrows and per conversation turned in March 2016. Quarterly turning of LF cells in windrows will be an area of emphasis for 2016. Fluid level in Pit B remains within ½ capacity as allowed by Board Order. Enhanced evaporation system is used daily when wind allows & to date new sprinkler system has not had visible issues with over spray. Approval to accept fluid into Pit B continues as long as continuous monitoring of the leak detection sump is conducted & until it can be demonstrated liner integrity has been restored.
- 04/21/16 (LC) Mel Capitan/MWS stopped into the DOGM SLC Office & visited with Lisha Cordova (10:00-10:30am). Topic of conversation; MWS seeking financial help from the Division (expressed tapping into their existing facility bond and/or temporarily discontinuing monthly deposits (.25 per barrel received into Pit B) so that they can continue cleanup operations at the facility. Otherwise, they may need to shut down ops completely for +/- 3 months due to lack of funding, caused by the industry slowdown & competing companies. Acceptance of fluid into Pit B was also stopped for several months (12/2014-8/2015) to find & repair a liner leak, which also impacted their company finances. Lisha suggested that MWS/Earl Martinez submit a letter to DOGM outlining their company hardship & financial proposal to the Division. Mel was planning to stop & visit with Chris Fausett/SITLA next to discuss the same. DOGM Admin. Staff members notified of visit.

- 04/29/16 (BK) Bart Kettle/DOGM suggested a meeting with SITLA & MWS Staff to discuss future cleanup/ops of the Recapture Brine Disposal Facility & MWS's request for financial help (as proposed on 4/21/16). *Sonja Wallace/SITLA confirmed that they are not releasing any bond funds.
- 05/04/16 (LC/JR) MWS draft letter (addressed to John Rogers/DOGM) for "Temporary Waiver of Bond Requirements" received; submitted to John Rogers for review (he said letter should be addressed to Ruland Gill, Jr., Chairman of The Board of Oil, Gas & Mining due to the on-going Board matter). *MWS notified 5/6/16.
- 05/09/16 (JAC) MWS filed a Request for Temporary Waiver of Bond Requirements (including an Operation Expense Statement 2015/\$43,200), with the Secretary of The Board of Oil, Gas & Mining.
- 05/10/16 (JR) John Rogers/DOGM email response to MWS; Dear Mr. Martinez, In response to your letter to me concerning a temporary waiver of bond requirements for Montezuma Well Services. The Division of Oil, Gas and Mining cannot issue a waiver of that requirement. In accordance with R649-9-8-1, Bonding of Disposal Facilities, "Disposal facilities, other than injection wells and their associated facilities, shall be bonded according to this rule in order to protect the State and oil and gas producers from unnecessary liabilities and cleanup costs in the future. The objectives are to provide the State with adequate security for site reclamation and post closure costs should a facility owner default". Therefore, to limit the liability to the State of Utah, the Division must retain its current bonding. The release of the bond can only occur after complete reclamation and approval by the Division, per R649-9-8-4, "The total bond will be held by the division or financial institution until the facility has been closed and inspected by the division in accordance with a division approved closure plan". I understand that Lisha Cordova of the Division has communicated this information to you. I saw that you have sent a similar letter to Ruland Gill, Chairman of the Board of Oil, Gas and Mining. If you are seeking to have this matter heard before that body you must communicate your intentions with the Board administrator, Julie Ann Carter at 801-538-5277. May 10, 2016 is the last day for matters to be filed for the June hearing. If you have any other questions, please do not hesitate to contact me at 801-538-5349. John Rogers, Associate Director, Division of Oil, Gas and Mining. *MWS cancelled the Board petition (filed on 5/9/16) on 5/10/16, following this email response.
- 05/11/16 (BK) Priorities for cleanup in the month of May 2016 is working LF Cell 11, this cell contains higher concentrations of oil & needs to be worked to aid in the bioremediation process. Front end loader will be used to windrow materials & add organic materials until free standing fluids are incorporated into a stabilized solid that facilitates microbial activity. Continued focus on Cells 11 & 17 will be required through the warmer summer months until oily materials are incorporated into a mixture with organics & native soils. Portions of windrows containing higher concentrations of hydrocarbons will slump & oil separates out in these locations. MWS exploring options to more effectively harvest storm water in the LF area where windrowed materials are present. Quarterly turning of LF cells in windrows is planned for 2016. Fluid level in Pit B remains within ½ capacity as allowed by Board Order. Depending on the day, evaporation pond is accepting 1-2 loads of fluids per day during the week. Enhanced evaporation system is used daily when wind allows. Approval to accept fluid into Pit B continues as long as continuous monitoring of LD sump is conducted & until it can be demonstrated liner integrity has been restored.
- 06/23/16 (BK) Cleanup priorities in the second quarter of 2016, is working LF Cell 11. LF Cell 17 has been windrowed & had a reported 6 tons of straw added although material is still slumping with the hot weather. LF Cell 11 contains higher concentrations of oil & needs to be worked to aid in the bioremediation process. Materials are still a paste consistency. Front end loader will be used to windrow & add organic material until free standing fluids are incorporated into a stabilized solid that facilitates microbial activity. Continued focus should be placed on Cells 11 & 17 through the warmer summer months until oil materials are incorporated into a mixture with organics & native soils. Quarterly turning of LF cells in windrows is planned for 2016. Fluid levels in Pit B remains within ½ capacity as allowed by Board Order, accepted volumes of fluid has declined to several loads per week per MWS personnel. Enhanced evaporation system is used for Pit B daily when wind allows. Approval to accept fluid into Pit B continues as long as continuous monitoring of LD sump is conducted & until it can be demonstrated liner integrity has been restored. LF cells will be sampled annually as a cost saving measure & to better take advantage of favorable summer conditions.
- 07/27/16 (BK) Follow up compliance inspection completed for facility as part of Board Order of Continuance. Priorities for cleanup remains working LF Cell 11, material is still high in TPH & in a past form. Organic material in the form of straw has been incorporated, free standing oil has been eliminated, and materials are being actively worked. Cell 17 continues to be worked & materials would pass a paint filter test. Substantial amounts of

organic materials have been added allowing materials to stand in a windrow without flowing in the hot weather. LF Cells 3 & 7-10 have been windrowed & flipped since the last inspection. Fluid level in Pit B is well below ½ of its capacity as allowed by Board Order. Enhanced evaporation system is in use at the time of inspection. Approval to accept fluid into Pit B continues as long as continuous monitoring of LD sump is conducted & until it can be demonstrated liner integrity has been restored.

08/10/16 (BK)

Compliance inspection conducted for facility. Inspection completed to review status of facility for ongoing Board Order of Continuance regarding the remediation of oily material from Pit A. Pit A contains original liner, but liner does not have integrity. Nearly all of the oily material has been removed. A small amount of storm water was observed in the eastern portion of the pit. Pit B is being used to evaporate accepted fluids. Per conversation with Ellison 1-2 loads per day are being accepted five days a week. Enhanced evaporation system is still used on calm days, but not in use at time of inspection. Fluid level is well below the required 50% capacity; estimated, Pit B contains 18" of fluid & an unknown volume of sediment & crystallized salt. LD sump is reported to contain 3" of fluid in the bottom that is being removed weekly. Pit C is filled with a mixture of windblown sediment & crystallized salt; roughly 4" of fluid on surface from storm water. LF cells not being worked at time of inspection; per conversation, equipment is broke down (tractor clutch out for an extended period of time, backhoe not operable "reason not specified", & alternator out on front end loader for the past month). Last LF cell worked was Cell 3 (windrowing). Status of the LF cells is as follows: Cell 1 passed cleanup levels & not being worked, Cells 2, 4, & 6; material has been spread over the cells in 12" lifts. Cell 5 has been flipped & remains in that status. Cells 3, 7-10, & 12-15 have been windrowed; material is a solid matrix that maintains shape. Cells 11 & 16 have been windrowed & organics added, but material is slumping & separates out small amounts of concentrated hydrocarbons. Facility is being staffed by a single person for half a day, five days a week.